HUD Challenge

SPECIAL FEATURES
ON MOBILE HOMES

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Volume VI, Number 12 / December 1975

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Statements made by authors do not necessarily reflect the views of the Department.

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NEXT MONTH:
Citizen Participation

Cover by Milton Paquin

Use of the wrong photo in the October issue of *HUD Challenge* resulted in incorrect identification of a Capitol Hill structure as the Museum of African Art. *HUD Challenge* regrets the error.

looking ahead

U.S. Approved Mobile Homes in '76

Every mobile home rolling off the assembly line after next June 15 will bear a tag showing that it meets HUD's new standards for construction and safety. The standards prescribe detailed requirements in virtually all aspects of mobile home planning, construction, durability, and safety. Innovations in construction design and materials and new testing methods may require changes in the standards; however, these changes are expected to evolve in an orderly fashion. The mobile home industry has expressed some concern about the impact of the new standards on the cost of mobile homes. But, HUD maintains that the initial cost increase will be moderate and will be offset by fuel savings and increased durability.

Suburban Mobile Home Communities

Communities of mobile homes located in attractive suburban areas are springing up all over the country. These communities, called moburbias, offer all the amenities and luxuries found in most new housing developments such as swimming pools, clubhouses, tennis and golf courses, and other recreational facilities. Moburbia contrasts sharply with mobile home parks built some 20 years ago when most parks of any size were usually located in the suburban area because that was the only place they could be built. Today, mobile home park developers are creating planned developments which incorporate facilities that will appeal to the more affluent public, and they are designed as attractive additions to many suburban communities across the Nation. Moburbias are usually situated in convenient locations, as proximity to shopping centers, schools, and transportation are major concerns in planning suburban parks. The average monthly rental in a suburban park, however, is somewhat higher than in older parks. Notwithstanding, moburbias have something to offer persons of all ages and background.

More House Owners Turning to Mobile Homes

Recently reported results of a nationwide survey conducted by Market Facts, Inc., an independent research organization, on behalf of Owens-Corning Fiberglas Corporation, revealed that increasing numbers of mobile home owners formerly owned conventional single family homes. Among the survey's respondents, 53 percent reported that they moved to their mobile homes from traditional, site-built, single family housing—as compared with 43 percent in 1969.

Resources Recovery Tests

A new series of test programs aimed at furthering the recovery of energy and raw materials from municipal trash and garbage are being conducted at the Equipment Test and Evaluation Facility (ETEF) in Washington, D.C. Located at the District's Solid Waste Reduction Center No. 1, the facility is operated by the National Center for Resource Recovery, Inc. (NCRR), in cooperation with the D.C. Department of Environmental Services. The ETEF program is designed to advance the technology of resource recovery and has been in operation as a "laboratory" for more than a year. Investigations into methods of separating and recovering metals, glass, plastics, and paper from solid waste are being conducted. The light, combustible material that makes up most trash is being studied for use as fuel to supplement the diminishing coal and oil supplies. ETEF projects planned for the next 2 years will focus primarily on recovering iron and steel, aluminum, other nonferrous metals, glass, and paper in forms that are usable for manufacturing new products.

Volcano-Powered Generating Plant

Electric power generated by the heat of volcanoes may soon be one of Hawaii's solutions to the energy crisis. Almost totally dependent on imported oil and gas, Hawaiians are showing great interest in developing such renewable sources of power as geothermal and wind energy, according to the Federal Energy Administration. The geothermal heat of volcanoes, as yet, has not been used successfully to produce energy. However, a research team is about to drill 6,000 feet into the side of Kilauea, the world's most active volcano, and if they are successful in finding a steady supply of steam or hot water, a generating plant could be operating on the site by 1979.

NPA Projections

During the next 10 years the U.S. economy will experience moderate and declining rates of real growth and substantial inflation, according to new projections to 1984 made by the National Planning Association (NPA). Real economic growth, as measured by the growth in real gross national product (the gross national product adjusted for price changes) should average 4.4 percent annually through 1980 and 2.2 percent between 1980 and 1984. This growth, according to NPA, will be accompanied by inflation running in excess of 6.6 percent over the whole period.

Mobile Home Standards

THE FEDERAL ROLE

by Bonnie Beckman

Although most mobile home industry growth has occurred in the past 15 years, the mobile home concept began in the 1940's. Construction workers in remote areas wanted their families with them. The travel trailer became the answer, especially during World War II, when thousands of workers were transferred from site to site across the country.

As State motor vehicle laws permitted, mobile homes became wider and longer. The 8-foot width was standard for several years. Then the 10-foot, 12-foot, and 14-foot widths were developed; and lengths have reached 70 feet or more. [Most authorities (and the Housing and Community Development Act of 1974) define a mobile home as eight or more feet wide and 32 or more feet long.]

Mobile home prices range from as little as $6,000 to more than $25,000. Since the higher figure might pay for a house and lot, the question arises: Why the mobile home?

Taxes are lower on mobile homes, making them popular with retired persons and some low-income families. A mobile home unit is generally less expensive to maintain than a house, and many features too costly for the individual homeowner are included in the rental fee of many mobile home parks. Deluxe parks often include swimming pools, recreation buildings, craft rooms, barbecue facilities, and other attractions.

Finally, the mobile home can be moved. Although moving can be expensive, some residents would rather move a mobile home than sell one house to buy another, or to rent a succession of apartments.

Excerpted from Occupational Brief 487, "Mobile Home Manufacturing Installer," with the permission of CHRONICLE GUIDANCE Publications, Inc., Moravia, N.Y.

Under the National Mobile Home Construction and Safety Standards Act of 1974 (Title VI of the Housing and Community Development Act of 1974) the Secretary of HUD is responsible for establishing Federal mobile home and construction safety standards in consultation with the Consumer Product Safety Commission.

Further requirements of the Act are that the Federal standards "be reasonable" and meet the highest standards of protection, taking into account existing State and local laws governing mobile home safety and construction.

Within HUD, authority to develop, promulgate, and enforce these standards is vested in the Office of the Assistant Secretary for Housing Production and Mortgage Credit/FHA Commission, headed by David S. Cook. Establishment of the Office of Mobile Home Standards within HPMC followed this important new action affecting the future of mobile homes in this country. Harvey E. Weiner is Acting Director of that office.

Last June HUD proposed Federal mobile home and construction safety standards, publishing a notice of proposed rulemaking in the *Federal Register.* The notice solicited public comment on the proposed standards and allowed 30 days for comments to be submitted to HUD. After receipt and consideration of comments received, the Standards were published (in the *Federal Register)* on September 2, 1975, and will be implemented on June 15, 1976.

Broad Coverage Seen

The Standards address virtually all aspects of mobile home planning, construction, durability and safety:

Fire Safety—Specify fire resistant materials in several areas that may be subject to fire—the furnace and water heater compartments, and around and above the cooking range and limit the flame spread rating of virtually all interior surfaces, and the fire resistant characteristics of carpeting. The new law also requires a smoke detector for all sleeping areas, and window or doors permitting escape from bedrooms.

Resistance to Wind—The new law requires more effective insulation of mobile homes for colder regions of the country. HUD estimates that the average saving resulting from such insulation will be approximately $40 per mobile home each year. This saving alone nearly offsets all increased costs that may result from the higher standards being imposed by HUD on mobile homes.

The Standards also include requirements for weather resistance and sealing; for plumbing and electrical systems; heating and cooling systems; for transportation damage resistance; for space planning; and for window and door sizes and quality.

When these standards become effective in June 1976, they will preempt all State and local regulations, and render null and void all State or local regulations governing mobile home construction or safety that are not identical to the Federal regulations.

Significance of New HUD Role

The importance of HUD's responsibility is demonstrated by the fact

that during most of the past 15 years, mobile homes have captured an increasingly important share of the single-family housing market. Annual mobile home shipments increased from about 9 percent of all single-family housing starts in 1960 to 33 percent in 1970. Since 1970, mobile home shipments have ranged from 27 to 33 percent of single-family housing starts each year. It is estimated that as much as 95 percent of the single-family housing produced that cost less than $20,000 are mobile homes. Thus the mobile home industry is providing most of the housing within the reach of low- and moderate-income home buyers.

State Enforcement Plan

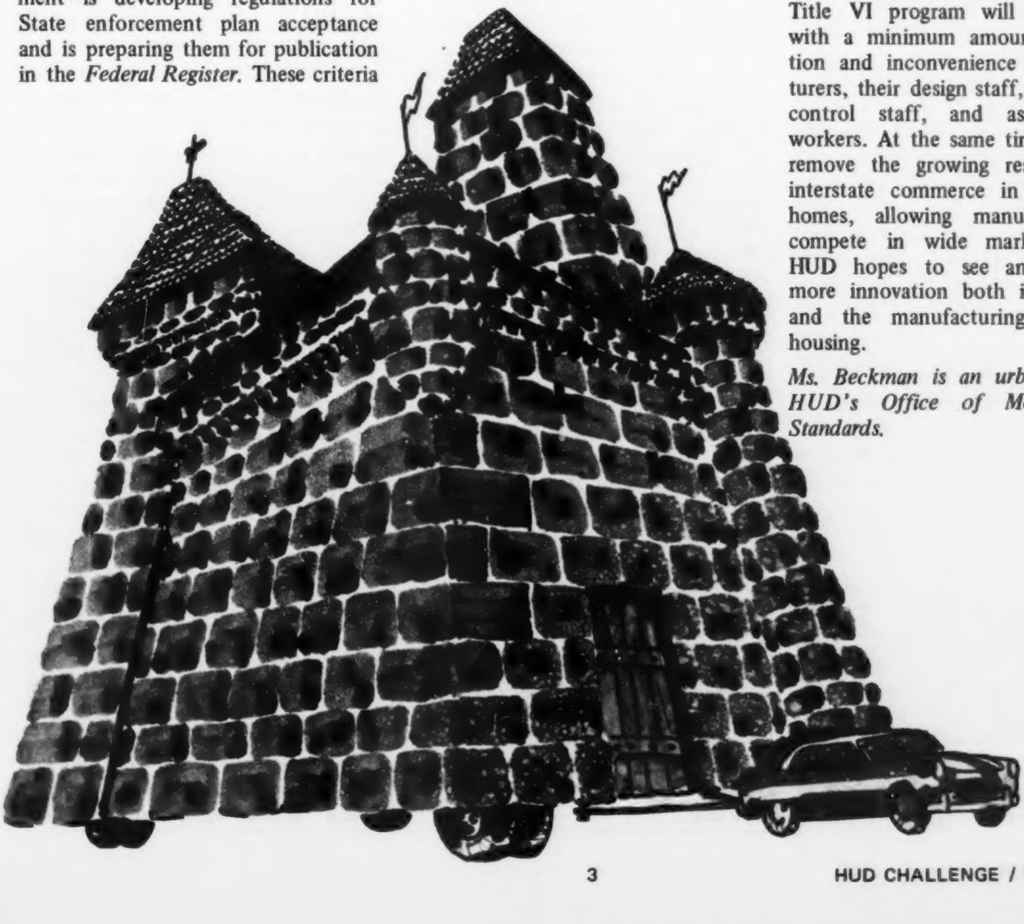
The Housing and Community Development Act of 1974 contemplates State enforcement of the Federal Mobile Home Construction and Safety Standards. To this end the Department is developing regulations for State enforcement plan acceptance and is preparing them for publication in the *Federal Register.* These criteria will closely parallel the enforcement program under Title I of the National Housing Act (FHA insurance of mobile home loans). Therefore, States with approved Title I enforcement programs will find the transition to enforcement of the Federal mobile home standards a relatively easy matter. Changes are being made to the Title VI enforcement program to meet statutory requirements for: the imposition of civil and criminal penalties; the monitoring of defect and non-compliance notification; correction of defects by manufacturers and the monitoring of such correction campaigns by manufacturers; and State reporting.

Consumer Protection

Enforcement procedures are being developed in the belief that quality must be *built* in and cannot be *inspected* in. Thus, the law requires the manufacturer to assure HUD that it has an effective quality control program of his own and a mobile home design that is in compliance with the standard. The manufacturer must complete detailed plans and specifications for each model home to be manufactured. He must also submit a quality control manual which describes every manufacturing process and production test to be made. The plans will be evaluated for compliance with the Standards by a private or State primary inspection agency approved by HUD. These procedures were developed to assure that all manufacturers have acceptable designs and quality control programs and adopt uniform mobile home production techniques followed throughout the United States.

Continued public confidence in the mobile home industry depends on the availability of reasonably priced dwellings of good quality, durability and safety. HUD believes that the Title VI program will achieve this with a minimum amount of disruption and inconvenience to manufacturers, their design staff, their quality control staff, and assembly line workers. At the same time, it should remove the growing restrictions on interstate commerce in new mobile homes, allowing manufacturers to compete in wide markets. Finally HUD hopes to see and encourage more innovation both in the design and the manufacturing of mobile housing.

Ms. Beckman is an urban intern in HUD's Office of Mobile Home Standards.



Fannie Mae Installs Mobile Home Program

By Russell Clifton

As the year 1975 began, the Federal National Mortgage Association was making its entry for the first time into the field of mobile home financing. It would do so in a somewhat cautious fashion, however, through the purchase of government-guaranteed securities and not through the purchase of loans.

Inasmuch as FNMA was taking the first tentative step in connection with FHA Title I mobile home loans, which account for only a small share of the market, it was not expected that its new program would have much of an immediate market impact.

Instead, it was viewed as a beginning that may, as months go by, be of interest to the savings and loan industry as another option in the field of mobile home financing.

The cornerstone of the new FNMA program is the Government National Mortgage Association (Ginnie Mae), which has a program to guarantee the issuance of securities backed by pools of FHA Title I mobile home loans, similar in many respects to its program of issuing Ginnie Mae securities backed by real estate mortgages (See page 7.)

In urging the Federal National Mortgage Association to consider entering this field, officials of the Federal Housing Administration (FHA) and Ginnie Mae contended that a longer term commitment at a lower price would make the Title I/GNMA programs more attractive.

Housing Resource

Although Fannie Mae had not been in the mobile home business, the corporation recognized the importance of mobile homes as a source of housing. Mobile homes accounted for approximately 51 percent of all single-family dwellings completed in 1973 and they dominate the under $20,000 market. Not only are mobile homes taking a larger share of the market, they are also becoming physically larger and it is estimated that in 1975, 32 percent of all mobile homes sold will be "double–wides." A typical double–wide has 1,440 square feet of living space–60 feet by 24 feet.

Its studies over the past 2 years had not convinced FNMA that it would be prudent for it to enter the mobile home loan market when it did, but the Ginnie Mae security program offered an opportunity for a start.

The FNMA mobile home program is linked to FNMA's key programs for single-family mortgages, which are (1) the Free Market System (FMS) auction for 4-month FHA/VA commitments, and (2) the 12-month FHA/VA standby commitments.

The FMS auctions characteristically are held every other Monday. Mortgage bankers bid against each other for commitments, stating the volume of the commitments they want and the yield at which they are willing to deliver mortgages under the commitments. The weighted average yield of accepted offers in these commitments is a widely accepted indicator of the state of the mortgage market.

In addition, FNMA issues FHA/VA "convertible standby commitments" which are good for 12 months. They generally require a higher yield than the FMS auction commitments being issued at the same time.

How the Program Works

To illustrate how the FNMA Program might work under two different sets of circumstances, one may consider the periods from March through June 1974, when mortgage rates as reflected in the FMS auctions were rising, and from August through November 1974, when they were declining.

The accompanying tables illustrate the movements in the FMS auction yields and the convertible standby yields during the two periods under discussion.

Let one assume that on March 15, 1974, when the FHA/VA convertible standby yield was 8.600 percent, a Title I lender decided to issue $1,000,000 worth of GNMA securities and wanted to be certain of what the maximum yield would be for the next 6 months.

On that date, he could get a commitment from FNMA whereby FNMA would agree to buy the $1,000,000 of securities at a yield of 8.100 percent (50 basis points below the then-current FHA/VA convertible standby yield). He could obtain this commitment simply by calling (202/293-5936) in Washington, D.C. He would be obligating himself to the payment of a $100 processing fee (1/100th of 1 percent) and a $5,000 commitment fee (½ percent).

In early June, let one assume that the lender has his $1,000,000 issue of securities ready to be sold. What courses of action are open to him?

- One option is to sell the securities to FNMA at the standby commitment price.
- A second option is to sell them not at the standby commitment yield but at the weighted average yield of the most recent FHA/VA auction minus 50 basis points, which in this case would be 9.041. (The June 3, 1974, auction average was 9.541.)
- A third option would be to sell them on the open market. A dealer in GNMA securities in early June was quoting yields of 8.80 to 8.97 percent on securities backed by 12- and 15-year mobile home loans.

Now let one assume the opposite situation–in a period when interest rates are declining. Suppose that on August 15th, when the FHA/VA convertible standby yield was 10.445 percent, a Title I lender decided to issue $1,000,000 worth of GNMA securities. On that date, he could get a commitment from FNMA whereby FNMA would agree to buy the

$1,000,000 of securities at a yield of 9.945 percent.

Two months later, let one assume that the lender has his $1,000,000 issue of securities ready to be sold. What are his options?

- His first option is to sell them to FNMA under the standby commitment at a yield of 9.945 percent.
- His second option is to sell them to FNMA not under the standby commitment, but at the weighted average yield of the most recent FHA/VA FMS auction, which in this case would mean a yield of 9.817 percent (10.317 was the weighted average yield in the previous auction).
- His third option is to sell the securities on the open market. Ginnie Mae securities at that time were selling at prices yielding 9.22 for GNMA securities backed by 12- and 15-year mobile home loans.

In this example, the lender's choice is obvious.

One would assume, under some conditions, that the lender would be able to sell two or three or even more issues of securities under the price protection of his FNMA commitment. How much that "insurance" against market turns costs him will depend on the volume of business he does—conceptually in a period of declining market rates it should be thought of as an umbrella over his head rather than as a $5,000 cost for doing a $1 million security issue. Should the market turn around, the $5,000 cost would more than be compensated for by the better price the lender can get by selling his securities to FNMA.

The use of the GNMA securities and the FNMA standby commitment will require some re-examination of current mobile home financing practices not only on the part of the lenders but on the part of the dealers and manufacturers as well.

There would not appear to be any reason why this program would not fit with floor plan arrangements under which most mobile homes are financed in the manufacturer-dealer transaction.

However, the GNMA-Title I program imposes certain limits on the costs to the buyer which may make it less attractive to some dealers.

Similarly, the amount allowed for servicing may not be attractive to some. There is a 2½ point spread between the rate of the mobile home loans in the pool and the rate on the GNMA securities. Of the 2½ percent, 1½ percent would be allowed for servicing and 1 percent for the GNMA guarantee fee and the 90 percent co-insurance on the loans.

As interest develops in the programs and more experience is gained in their operation and use, it is believed that FHA and GNMA will be willing to re-examine their programs and modify them as necessary consistent with their objectives of lowest cost to the buyer compatible with good business for the industry and the lowest possible risk to the government.

March-June, 1974

Auction Date	Yield Required for Commitments Issued in FMS Auction	Yield Required for Convertible Standby Commitments
March 11	8.439%	8.600%
March 25	8.623%	8.820%
April 8	8.950%	9.200%
April 22	9.183%	9.350%
May 6	9.343%	9.750%
May 20	9.483%	9.750%
June 3	9.541%	9.750%
June 17	9.541%	9.750%

August-November, 1974

Auction Date	Yield Required for Commitments Issued in FMS Auction	Yield Required for Convertible Standby Commitments
August 12	10.124%	10.445%
August 26	10.384%	10.850%
September 9	10.585%	10.950%
September 23	10.559%	10.950%
October 7	10.317%	10.750%
October 21	10.113%	10.600%
November 4	9.926%	10.500%
November 18	9.805%	10.250%

Mr. Clifton is Vice President for Mortgage Programs, Federal National Mortgage Association.

Financing Mobile Homes

By Wm. T. McWeeney

Skyrocketing housing costs in recent years priced many lower-income families completely out of the housing market. It has been estimated that as much as 95 percent of the Nation's single-family housing built in recent years has been built to be sold for more than $15,000. Because of the acute shortage of conventionally built low-income housing, many homeseekers are looking toward mobile homes to meet their housing needs. Recognizing the need to make this type of housing more widely available, Congress authorized HUD/FHA to begin insuring mobile homes in 1969 under Title I of the National Housing Act. To date HUD/FHA has insured some 32,000 mobile home loans.

In the past, purchasers of conventionally-financed mobile homes were required to make substantial downpayments; downpayments amounting to one-third the price of the mobile home were not unusual. In addition, loans were usually limited to a term of 7 or 8 years.

The new HUD/FHA legislation provided for loans having specified smaller downpayments than had been previously available, and repayment terms extended for as long as 12 years on single-wide units and 15 years on double-wide units. Maximum amounts of $10,000 and $15,000 were set for single and double-wide homes. An interest rate was established which is below the current conventional market but which is still attractive to investors. The maximum current interest rate is pegged at 12 percent.

A mobile home financed with a HUD insured loan may be placed on a site owned by the borrower or in a park approved by the HUD field office. If the buyer wants the unit placed on his own property the site must have existing utilities approved and certified to by local sanitary authorities.

Most mobile homes sold are completely furnished, equipped, and decorated. Major appliances, furniture, carpets, and draperies may be included in the purchase price. In addition, sales taxes, comprehensive insurance, and extended coverage insurance premiums may be included in the loan. More and more American families are turning to mobile home living as a viable way of life. As this trend continues, it is expected that HUD/FHA will insure an even bigger share of the market volume because mobile homes have proved that they can offer economical living accommodations that are safe, sanitary, and comfortable.

Mr. McWeeney is a financial representative in the Houston HUD/FHA Insuring Office.

Definitions

A **Mobile Home** is a structure, transportable in one or more sections, which exceeds either 8 body feet in width or 32 body feet in length, built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein.

A **Double-Wide Mobile Home** is a mobile home consisting of two sections combined horizontally at the site while still retaining their individual chassis for possible future movement.

An **Expandable Mobile Home** is a mobile home with one or more room sections that fold, collapse or telescope into the principal unit when being transported and which can be expanded at the site to provide additional living area.

A **Modular Unit** is a factory fabricated transportable building unit designed to be used by itself or to be incorporated with similar units at a building site into a modular structure to be used for residential, commercial, educational or industrial purposes. A modular unit may be built to local codes.

A **Sectional Home** is a dwelling made of two or more modular units factory fabricated and transported to the home site where they are put on a foundation and joined to make a single house.

Most mobile homes, double-wides, sectionals and modules are transported to their sites by trucks whose movements and tariffs are controlled by State highway regulations, and, where applicable, the Interstate Commerce Commission.

GNMA's MORTGAGE-BACKED SECURITIES MOBILE HOME PROGRAM

Assisting in the Financing of Manufactured Housing

by George B. Easson

The Government National Mortgage Association (GNMA), through its Mortgage-Backed Securities Program, plays an important role in the FHA-Title I Mobile Home Program.

Briefly, this is how it works. An approved FHA Title I lender in good standing makes application to GNMA in Washington to become an issuer of mortgage-backed securities (MBS). To be eligible as an issuer, the lender must have a net worth in assets acceptable to GNMA of not less than $500,000. Upon approval, the issuer may then assemble a pool of loans which have been accepted for insurance by FHA under Title I of the National Housing Act consisting of at least $500,000 in outstanding principal balances, as backing for securities to be issued in a like amount. It is not difficult to issue securities. The procedures are not complicated, and the forms have detailed instructions as to how they should be filled in.

The loans may be for either up to 12 years in an amount not to exceed $10,000 for single-wide units, or for a term of up to 15 years in an amount not to exceed $15,000 for double-wide units. Unit types may be mixed within a pool; however, interest rates may not.

The securities issued will have a face rate of 2.50 percent less than the maximum rate for mobile homes established by the HUD Secretary or the maximum rate allowed by local law, or less than these rates provided the rates shall be in multiples of .25 percent. Although securities may be marketed by the issuer, the majority of issues are handled by security dealers.

It can be anticipated that prevailing market conditions will dictate either the discounting of the fixed rate securities, called the marketing expense, or the payment of premiums for the fixed rate securities. This marketing expense, the difference between par and the marketing price, plus up to 1½ percent of the amount of the pool for incidental points, may only be borne by the manufacturer out of corporate profits and/or the issuer.

The marketing expense may not be charged directly to the buyer. Therefore, an issuer would enter into a contract with the manufacturer or manufacturers whereby they, the manufacturers, would participate in the program, agreeing to absorb this expense. If the manufacturer wishes, he may adjust his prices for all of his lines to recover the expense but not on a portion of his lines thereby designating them as "GNMA Pools Only" lines.

The Mortgage-Backed Securities Mobile Home Program is not a new program in the strict sense. The first mobile home pool was put together in June of 1972. In June 1973, six issuers were participating, and GNMA had 45 pools totaling $27.5 million. Currently, the pools total in excess of $112.0 million.

The advantages in using the GNMA MBS Program are many for the manufacturer, issuer, investor and buyer. Yields are high—close to high grade bonds. Money becomes available in areas at times when it otherwise might not be. Issuing allows the build-up of servicing volume and profit from servicing fees, without investing directly in loans. The securities are freely transferable in a very large and active secondary market. They provide the advantages of mortgage investment without the work, staff, and files that go with buying whole loans. In times of insufficient mortgage money, the demand for bond type securities is greater than for mortgages from customary sources. Also, a very important point, GNMA not only administers the program, but provides the guarantee for the securities, backed by the full faith and credit of the U.S. Government.

Mr. Easson is Director of the Mortgage-Backed Securities Program, Government National Mortgage Association, HUD.

A Very FRIENDLY VILLAGE

By Elizabeth Nelson

Everyone seemed to be canning tomatoes the day I visited Friendly Village of Dulles, a mobile home park located just off U.S. Route No. 50 near Washington, D.C. Many of the residents were renting garden plots on an old farm next to the park; others had grown vegetables on their home sites. That day they were all trading canning secrets. Indeed, Friendly Village is more than just a name. On the outskirts of the Virginia suburbs, close to Dulles International Airport, the park remains a village, more rural than urban, more smalltown than suburban.

The place is friendly, too. Here, the term "neighbor" connotes more than proximity. Everyone seems to know everyone else. "I lived in Dallas for 5 years and I knew three people," Mary Marshall comments. "Here, I know everyone." Mrs. Marshall teaches informal crocheting classes to the residents and the decor of her mobile home reflects her interests. Another resident, Mrs. Hattler, proudly tells me about the 54 get-well cards her husband received during a recent illness. Like a third of Friendly Village's residents, the Hattlers are a retired couple and, like many retired couples, they find mobile home living an attractive alternative to apartment living.

My guide the day I visited Friendly Village was Jim Corbett, a retired marine, now service manager for the mobile home park. As we drove around in his jeep, he'd lean out to say "Hi" to the kids playing in the yards and then turn to point out the community swimming pool and other points of interest. Friendly Village children are bused to a nearby county school. Many of the mobile homes have two or more bedrooms and families with children are as commonplace as couples.

The community of 500 was set down in the Virginia countryside, laid out and organized, then rented to individual tenants who bought their own mobile homes or purchased them through the park manager. Excluded, in most cases, from established urban or suburban areas, mobile home parks frequently locate in more rural areas where entrepreneurs establish complete, miniature towns. Mobile home residents usually rent sites, paying, in addition, for basic utilities and often a user's fee for a community center. The community is governed by a management corporation and, of course, by the county and State governments. But a park is seldom an incorporated town; Friendly Village certainly is not.

Development in America largely followed this pattern, as land developers created small towns, sold off the plots of land and often retained control until the land was distributed and the town incorporated. Perhaps, as mobile home owners begin to purchase instead of renting their sites and as more and more parks develop real self-government the analogy to smalltown Americans will be even more apropos.

At Friendly Village, however, a quasi-official organization seems to have most to say about how the community is run. The civic association organizes many of the social and cultural activites for the community, represents the residents' views to the management and generally oversees the functioning of the community. It's like a town meeting without elective force.

The richness of social life in Friendly Village underscores the importance of organized community activities—activities which sprawling suburban developments frequently lack. The civic association publishes a calendar of events which range from parents-without-partners meetings to bridge classes and garden workshops. Informal social events abound.

So these 500 families, inhabiting a small "island" in the Virginia countryside, have somehow started to think of themselves as a community, with common needs and common interests. Friendly Village is, in many ways, one example of a new American small town.

Ms. Nelson is a HUD intern.

in print

Fist Fights in the Kitchen: Manners and Methods in Social Research. **Edited by George H. Lewis. Pacific Palisades, Calif., Goodyear Publishing Co., 1975. 492pp. $8.95.**

Everything about this book, with its two fists on a bright-red and white cover, emerging from a modern and an antique stove, through the headings of its parts (Things Old, New, Borrowed and Blue–Wedding Sociology and Science), to its wildly funny and bitter dissections at the end of each topic (Barroom sociology; Pogo; If you got the money, honey, I got the time), is intended to stir up the reader from the usual lethargic approach to latter day social research process. In this endeavor, they succeed brilliantly, more often than not.

The book can and should be used as a text in social research methods. But it is also useful as a reminder to the experienced researcher that the road to social research is strewn with landmines of every conceivable sort, most of our own making, and many simply the result of poor technique, sloppy thinking, lazy follow-up and inadequate supervision of the research staff.

Topics under discussion are broad: population and sampling; survey methods; rating services; models; interviewing; questionnaires; nonresponse; deviance; disguised observation; documentary evidence; the perpetuation of error; national surveys; institution formation; the rights of subjects, and on and on.

The final section of the book, devoted to ethics, politics and data presentation, gets into some very sensitive areas. The noted discussion of I.L. Horwitz on the "Life and Death of Project Camelot" is presented as a classic example of the social scientist dealing with highly sensitive political issues upon which all of us have opinions.

Fist Fights is worth studying, if one is in the field. It is easily worth perusing, if one is in related fields.

–Morton H. Leeds
Director, Special Concerns Staff
HUD Office of Housing Management

Transfer of Development Rights. **Edited by Jerome G. Rose. New Brunswick, N.J., Center for Urban Policy Research, Rutgers–The State University, 1975. 341pp. $12.95.**

The author of several books on real estate law and related fields, Jerome G. Rose, Professor of Urban Planning, Rutgers University, is well qualified to edit this score of articles on the subject of transfer of development rights (TDR). The concept is not as novel as it might at first appear. Although TDR proposals did not arouse much attention until 1972, ample precedents, including the exercise of eminent domain and the separation of mineral rights from other rights of ownership, exist to support the introduction of TDR. In Rose's own words:

"The legal concept underlying TDR is that title to real estate is not a unitary or monolithic right, but rather it may be compared to a "bundle of individual rights," each one of which may be separated from the rest and transferred to someone else, leaving the original owner with all other rights of ownership."

The usefulness of TDR lies in the flexibility it provides as a supplement to existing zoning codes. A spate of variations on TDR have been devised, but TDR in its simplest form is perhaps best exemplified by the British system, which has as its objective the regulation of land use and the preservation of open space. In the Town and Country Act of 1947, the British government acquired the development rights to all undeveloped land in the Nation. To develop his land, the owner is required to repurchase the development rights. Proceeds from the sale of the rights form a fund which provides compensation for those owners denied development rights.

Although States, for example, Maryland, Virginia, and California, have generally used TDR as a method of land use regulation, several large cities, notably New York and Chicago, have resorted to TDR as a means of preserving architectural and historical landmarks and even as a method of providing economic incentives for the construction of low- and moderate-income housing.

Perhaps the most widely discussed TDR scheme is that propounded by John J. Costonis. In a study funded by HUD, Costonis devised a method of preserving historical landmarks in Chicago. Owners of land declared public landmarks may sell or transfer their development rights to other properties, thereby preventing a major financial loss.

All in all, the book tends to raise as many questions as it answers. But the fault lies not so much with the authors as with the variety, breadth, and complexity inherent in the field which they have chosen to tackle.

–Edward C. Rybka
HUD Library Technician

Model Security Code For Residential Areas, **by Oscar Newman and Stephen Johnston, 1974,** is intended to provide planners and municipal code administrators with a structured, annotated set of model security provisions which can readily be added to existing building codes. Prepared with a grant from the Ford Foundation. 91pp. $5.50. Available from The Institute for Community Design Analysis, 853 Broadway, New York, N.Y. 10003.

The VA Home Loan Program

By Robert C. Coon

June 22, 1975, marked the 31st anniversary of the VA home loan guaranty program. During its 31-year history, the program has grown to such magnitude that it is, today, an important part of the Nation's financial machinery. The term "GI Loan" is now a household word.

Since June 22, 1944, over 8.8 million veterans have borrowed $113.5 billion under the VA's program to buy, build or improve their homes. The VA guaranty is a substitute for the investment protection lenders making conventional mortgages obtain from substantial downpayments and relatively shorter terms of loans. Under present law, the VA can issue guaranties up to $17,500 or 60 percent of the amount of a loan, whichever is less. Thus, through the VA guaranty, veterans who may not have the large downpayment required for conventional loans, are able to finance homes purchased with capital attracted by the guaranty from private lending institutions.

Unique Features of VA Guarantees

VA home loans differ in several important respects from loans made or underwritten by other Government agencies. For example, there is no requirement by VA for a downpayment by a veteran purchasing a home. Nor is there a guaranty fee or charge by VA for home loans.

The VA guaranty means that, in the event of a default on a VA home loan, VA stands ready to pay the loan balance due the mortgage holder up to the amount of the guaranty. In practice, the lender ordinarily terminates the loan by foreclosure or acceptance of a voluntary deed, crediting the loan indebtedness with the fair market value of the property as determined by the VA and filing a claim for any deficiency remaining. In the majority of cases, lenders elect to convey the property to the VA, which in turn places it on the market for sale.

In actual fact, the credit record of veterans since the first VA home loan was closed in Washington, D.C., by the First Federal Savings and Loan Association on November 17, 1944, has been excellent. Claims paid on VA home loans amount to only about 3.6 percent of the number of loans guaranteed. The low claims-paid experience is all the more remarkable considering the frequency of 100 percent loans.

VA home loans are not small loans, as home loans go. Furthermore, the average loan amount has increased steadily over the years, reaching $27,945 in the last 12 months ending June 30, 1975.

The VA home loan guaranty program was originally conceived in 1944 as part of an attack on the harsh aftermath of wars. The overall objectives were to diminish, to the greatest extent possible, the economic and sociological problems of the post-war readjustments of millions of men and women then serving in the Armed Forces.

Origin and Early Stages of Program

The program was one of the major innovations and a most important part of the original Servicemen's Readjustment Act of 1944, Public Law 78-346. The first legal framework was set forth in Title III of that Act. In a way, the loan guaranty program was advanced as an alternative device to a cash bonus, because it would be vastly less expensive to the Government, and because it would better serve the needs of veterans.

Credit was viewed as one of the cornerstones of the program to aid the veteran in his efforts to readjust himself to civilian life. In the opinion of the supporters of the original legislation, the Government should provide the means whereby the veteran could obtain favorable credit which would permit him to shelter his family or begin his business or his farming venture.

Eligibility for loan benefits was limited to veterans who had served in the active military or naval forces of the United States for a period of 90 days or more anytime on or after September 16, 1940, and before the termination of World War II. In this connection, a veteran could apply for a loan anytime within 2 years after separation from the service or 2 years after the official end of the war, whichever was the later date. In addition, the law stated that VA had to receive all loan applications no later than 5 years after the termination of the war.

Under the founding law, the maximum amount of the guaranty was limited to 50 percent of the loan, but not to exceed $2,000. Loans were also limited to a 20-year term and the interest rate ceiling was set at 4 percent. With reference to terms of the loan, the Act further stated that such terms should bear a proper relation to the veteran's present and anticipated income.

The original version of the loan guaranty program contained various shortcomings which became evident during the first year of operation. This was not surprising since the field was a new one for VA and conditions had changed since planning for the Act had taken place. Real estate prices had risen so much that the $2,000 maximum guaranty was not large enough. A requirement in the law which said that the price of the real estate could not exceed the reasonable normal value as determined by an

appraisal caused difficulties because to many this indicated prewar prices. The limitation of 2 years after the war as the period during which loan guaranties could be obtained was feared to be too short because of the great potential number of veteran borrowers and the possible inflationary potential. Finally, the 20-year maturity on loans required by the Act meant that monthly installments were so high that many veterans were precluded from obtaining loans.

These points were considered in hearings before the Congress and amendments were enacted to Title III in 1945 by Public Law 79-268. The maximum amount of guaranty available to a veteran was increased to $4,000. The maximum maturity for real estate loans was extended to 25 years. The term "normal" was removed from the requirement of "reasonable normal value," leaving it merely as "reasonable value."

These changes constituted a basic change in objectives. No longer was the home loan benefit aimed at immediate readjustment aid. It was to be a long-range benefit open to any eligible veteran wishing to buy a home within 10 years if he could meet the credit requirements. The original idea of keeping the purchase price low by the use of "reasonable normal value" was abandoned in favor of a large volume of transactions at current market prices.

These changes constituted an almost complete revision of the loan guaranty program. It changed many of the basic objectives, such as holding the price of properties to prewar levels. An even more basic philosophical change was that the original Act was considered only as a readjustment aid for the veteran who wanted to start a home, a business, or buy a farm when he got out of the service. The extension of readymade credit by the Government was to make up for his lost time. The new law provided something different. It could no longer be considered solely as an adjustment benefit for the few who had immediate and specific plans after leaving service. It was now open to all eligible veterans who might decide to avail themselves of the benefit at anytime within 10 years after the official end of the war.

In terms of aiding the economy over the reconversion period the objectives had also changed. It was now a long-range housing program for veterans. This last of the new objectives has been maintained consistently throughout the subsequent changes in the program. Nearly all changes have been presumed to help the veteran become a homeowner by extending the terms, making mortgage money available, and protecting him from excessive charges and faulty construction.

The Direct Loan Program

During these early stages of the loan guaranty program, little or no money was being made available by lenders to veterans who resided in rural and remote areas of the country. In order to place these veterans on a parity with veterans living in metropolitan areas, where funds were available, Congress approved the direct loan program.

The purpose of the direct loan program is to extend credit directly to veterans for the purchase, construction, repair and alteration of homes and farmhouses in rural areas, small cities and towns where private credit is not generally available. The Veterans Administration is authorized to designate such rural areas, small cities and towns as "housing credit shortage areas," if it finds that private credit is not generally available for the making of guaranteed loans. In the VA direct loan program, veterans apply directly to the VA for a loan. The terms of the direct loan are the same as those in effect for the home loan guaranty program. Authority for VA to make direct loans was originally granted for about a year but this authority was extended subsequently from time to time. From its inception to June 30, 1975, the direct loan program has assisted some 322,300 veterans to become homeowners by extending $3.2 billion of credit directly.

In 1950, Public Law 81-475, in addition to establishing the direct loan program, also increased the maximum term for home loans to 30 years and made unremarried widows of World War II veterans, who died in service or of service-connected causes, eligible for loan guaranty benefits. Finally, veterans whose homes were acquired through the use of a VA guaranteed loan and were taken, lost or disposed of for compelling reasons, could have full entitlement for loan benefits restored.

With the outbreak of hostilities in Korea, Congress recognized that these veterans were going to have readjustment problems confronting them, also. Extensive hearings brought about a revision of all the provisions of the Readjustment Act and resulted in the passage of the Korean GI bill. This law extended entitlement to loan guaranties to all Korean veterans on the same basis as World War II veterans. The period during which they might exercise their entitlement was similar to that for World War II veterans, extending 10 years after the official termination of the war, or to January 31, 1965.

Thereafter, Public Law 84-899, approved August 1, 1956, extended the home loan program for World War II veterans until December 31, 1958. The home loan program was also extended by the 85th Congress and the 86th Congress.

In 1960, the veterans' home loan program reached its lowest point in 15 years, despite the fact that more than 14 million veterans of World War II and the Korean conflict had not used their entitlement to home loans. Public Law 87-84, approved July 6, 1961, removed the expiration dates of the home loan program for World War II veterans and Korean veterans from the then existing law. In lieu, the new law put into effect a new phase-out formula. In essence, the new Act provided for World War II veterans to have 10 years from the date of discharge from active duty during World War II, plus an additional period equal to 1 year for each 3 months of active duty during World War II, but in no case beyond July 25, 1967. In the case of Korean veterans a similar formula

was developed. These veterans had at least until February 1, 1965, to obtain a guaranteed or direct loan or a date computed by adding 10 years from the date of discharge from active duty during the Korean conflict, plus an additional period equal to 1 year for each 3 months of active duty during the Korean conflict, but in no case beyond January 31, 1975.

In 1966, Congress approved the Veterans' Readjustment Benefits Act of 1966. This Act, among other things, made servicemen and post-Korean veterans who had served on active duty more than 180 days in the Armed Forces after January 31, 1955, eligible for VA guaranteed home, farm and direct loans. Although the loan benefits for post-Korean veterans and servicemen were similar in type to those available to World War II and Korean veterans, the post-Korean loan program was subject to a one-time funding fee in the sum of one-half of one percent of the loan. This fee was in effect until it was terminated by Public Law 91-506 on October 23, 1970.

The Act also authorized VA to adjust the VA home loan interest rate ceiling according to the demands of the loan market. In addition, it also increased the direct loan amount from $15,000 to $17,500. Some additional refinements were initiated in the next 4 years and then Congress approved the Veterans' Housing Act of 1970, Public Law 91-506.

The Veterans' Housing Act

The Veterans' Housing Act of 1970 was a milestone for the VA home loan program. This Act made some very important changes which greatly enhanced the viability of the loan guaranty and direct loan programs. This law made seven major changes to the VA home loan program. It removed the delimiting dates on veterans' entitlement. It authorized a mobile home loan program. It authorized direct loans for veterans who qualified for specially adapted housing grants irrespective of location. The law also eliminated the terminal date of the direct loan program. In addition, the law eliminated the funding fee for post-Korean veterans and authorized loans on condominium units and for refinancing loans.

Finally, the Veterans' Housing Act of 1974 contained a number of additional provisions which will expand VA home loan benefits considerably. The law made it possible for a veteran who had used his VA loan benefit to regain the use of his entitlement, provided the veteran has disposed of the property and the loan has been paid in full, or another veteran has agreed to assume the outstanding balance on a VA loan and has consented to the use of his entitlement. This Act made some additional changes with regard to mobile home loans and condominium loans, as well as removing the expiration date of the mobile home loan program.

Taken as a whole, the Veterans' Housing Acts of 1970 and 1974 restructured the VA home loan program so that the future of this program will be more active and dynamic. The VA home loan program has never become static. It has changed from time to time to keep it current in terms of the needs of veterans and to maintain a proper balance in relation to conditions in the economy.

Under current legislation VA operates three programs to assist eligible veterans to become homeowners; they are the loan guaranty program, the direct loan program and a program of grants for specially adapted housing.

In the loan guaranty program there is no limitation, either by law or by VA, upon the maximum amount of a VA guaranteed loan, other than a mobile home loan. Direct loans made by VA are subject to a maximum of $25,000 per loan. Mobile home loans for the purpose of acquiring a single-wide mobile home unit cannot exceed $12,500. For a double-wide unit the maximum is $20,000 (double-wide and undeveloped lot is $27,000). The maximum term for single-wide mobile homes is 12 years, but for a double-wide it is 20 years. The maximum term for conventional homes is 30 years.

The VA interest rate for the loan guaranty program, as well as the direct loan program is set by regulation. The interest rate ceiling for home loans at the present time is 9 percent, while for mobile home loans only it is 12 percent. Veterans more than other home buyers put major reliance on credit to finance their purchases. The lifeblood of the loan guaranty program is private capital.

Under present law VA does not require the veteran to make any downpayment in connection with obtaining a guaranteed loan or direct loan. Private lenders, however, may require that veterans make downpayments. In practice, approximately three-quarters of all VA loans being made do not entail any downpayment whatsoever.

Finally, the amount of the guaranty for conventionally-built homes, under current law, is 60 percent of the amount of the loan, but not to exceed $17,500. The original guaranty under the Servicemen's Readjustment Act of 1944 was 50 percent but not to exceed $2,000. The increase was made in recognition of the increasing cost of housing.

In the case of specially adapted housing grants (made to help severely disabled veterans construct or modify their homes) the grant may not be more than one-half of the purchase price of the dwelling, with a maximum grant of $25,000.

The measure of success attained in the administration of the VA home loan program is reflected not only in the manner in which legislative objectives are met, but also in terms of their cost to the Government. Cumulatively to June 30, 1975, the guaranteed loan operations of the VA have resulted in a loss of $174.5 million on approximately $113.5 billion of credit extended. That amounts to only 15 cents on each $100 of credit—a small price when one considers that this program has helped more than 8.8 million veterans to become homeowners.

Mr. Coon is Director of the Loan Guaranty Service, Veterans Administration.

ANNUAL HOUSING SURVEY
Utility for Municipal Officials

Municipal government officials responsible for preparing Housing Assistance Plans as part of their community development block grant applications will discover a useful new aid in HUD's *Annual Housing Survey*. Undertaken for HUD by the Census Bureau, this new housing survey series will provide current information on housing conditions and trends to **help officials develop more effective housing and neighborhood preservation policies.**

The *Annual Housing Survey* answers questions about the quality as well as the quantity of housing in the United States. For the first time, policymakers and State and local planning officials can learn about the physical condition of housing units as well as the character of the neighborhoods in which they are located.

Among the data which the *Annual Housing Survey* will provide are:

- physical conditions of both occupied and unoccupied housing units;
- dependability and workability of housing facilities and utilities, and adequacy of public services;
- neighborhood characteristics;
- number of housing units by type, location, renter-or-owner-occupied or vacant;
- vacancy rates in rental and "for sale" housing by location; and
- comparisons of prices of housing and level of rents.

This survey consists of a national sample of 76,000 housing units from urban and rural areas and metropolitan area samples from 60 selected SMSA's.

The national survey should be useful to municipal officials as benchmark data for local areas. Data will be tabulated for the four Census regions, for all SMSA's in the United States (both inside and outside the central city), as well as for the entire Nation. Results of the 1973 national survey have just been published; preliminary results from the 1974 national survey will be published later this year.

Of particular importance to local government officials are the companion surveys of SMSA's. Surveys for the first panel of SMSA's are scheduled to be published in early 1976 covering 15,000 units from each of four very large metropolitan areas–Boston, Detroit, Los Angeles, and Washington, D.C.–and 5,000 units from each of 15 smaller SMSA's. Surveys for the second panel of 21 SMSA's will be published a year later; Atlanta, Chicago, Philadelphia and San Francisco are the largest SMSA's covered. Data from the third panel of 20 SMSA's will be published in early 1978. The four very large SMSA's will be Houston, New York, St. Louis, and Seattle.

Illustrative of the kinds of data collected by the surveys is the following summary of the Nation's housing stock, as of October 1974. At that time there were an estimated 77,602,000 housing units, an increase of 7,464,000 since the 1970 Census. Of an estimated 75.9 million year-round units, 67.5 percent were single-family homes, 15.1 percent were in apartment houses with 5 or more units, 12.5 percent were in structures with 2-4 dwellings and 4.9 percent were mobile homes.

With respect to housing quality, the 1974 survey greatly broadened the types of inquiry and found that:

- only 3.2 percent of occupied housing lacked some or all plumbing;
- about 25 percent of dwellings with basements had signs of water leakage;
- 4.1 percent of housing had broken plaster or peeling paint;
- 6.7 percent of housing had leaky roofs;
- exposed electric wiring was found in 3.4 percent of occupied units;
- 2.4 percent of occupied units had breakdowns of the heating systems two or more times during the previous winter; and
- 15.4 percent of the households lacked garbage collection service.

Each of the foregoing showed improvement over the deficiency percentages found in 1973. Asked to evaluate their neighborhoods, 37 percent of the households rated them as excellent; 45 percent rated them good; 15 percent fair and 3 percent called them poor. About a quarter of those rating their neighborhoods as poor said that they wanted to move elsewhere.

Copies of these HUD-Census reports may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, or from the U.S. Department of Commerce district offices located in major cities in the United States.

–Arnold Diamond
HUD Office of Policy Development
and Research

Cambridge Community Looks for Happy Ending to Success Story

By Robert S. Remer

The National Center for Voluntary Action, headed by former HUD Secretary George Romney, recently singled out the Wellington-Harrington Citizens Committee (WHCC) of Cambridge, Mass., from 100 nominees for "making an urban renewal program work so well in a working class neighborhood."

In a Washington, D.C., celebration citing WHCC, Committee chairman James Bentubo and secretary-clerk Mary Nicoloro sipped tea with the First Lady at the White House, savored the tributes, including an engraved silver Paul Revere bowl and a $500 check, and mingled with guests at Washington's Kennedy Center.

But in the midst of the national acclaim for their accomplishments, the citizens' group wondered about possible sources of funding for completion of the neighborhood improvement and stabilization program that went into field operation in 1968.

The impact of inflationary forces has resulted in a current projected cost of $11.2 million for execution of the original plan to completion in December 1977. The city of Cambridge has allocated $619,000 from its first-year HUD Community Devel-

opment Block Grant entitlement of $4,035,000. The city, the redevelopment authority, and the Wellington-Harrington Citizens Committee are probing means of finding other funding sources or curtailing some activities.

LEFT—Housing authority workers clear debris from Wellington-Harrington neighborhood improvement area. TOP and ABOVE—Former junkyard in area is now site of 56 units of cooperatively-owned dwelling units.

Plan Has Record of Success

Born out of defeat of an original urban renewal plan, the Wellington-Harrington plan is the result of efforts of the mayor-appointed citizens committee calling for neighborhood improvement and stabilization in the 127-acre area of 10,000 population and some 2,400 dwelling units. The plan drew immediate acceptance from the city fathers and enthusiastic cooperation from the Cambridge Redevelopment Authority. Since 1968, some 1,100 dwelling units have been rehabilitated with Section 312 grants and loans, along with conventional bank sources, to the tune of $2,736,474. There's been $2.85 million in Massachusetts Housing Finance Agency rehabilitation financing for multi-unit rehabilitation developments and $1.8 million in new construction financing for low-density residential cooperative housing (56 units).

In addition, special environmental betterment and training programs have produced over $500,000 for new recreation facilities and local community service programs not included in the renewal budget, along with more than $275,000 in private funds for youth employment in work-study activities.

Youth employment is provided through a popular program called

Vice President Rockefeller (second from right) and George Romney, Chairman of the National Center for Voluntary Action (right), chat with Chairman James Bentubo and Secretary-Clerk Mary Nicoloro of the Wellington-Harrington Citizens Committee of Cambridge.

Just-A-Start, using volunteer and paid workers (mostly students and teachers) in supplementing the housing rehabilitation program and also working on beautification, building security and cleanups, and operation of public recreation areas and sports activity leagues, along with extensive seminar and training programs. This Redevelopment Authority work-service-study program entered its eighth 12-week summer session in June. A school-year phase has operated for the past three years, five afternoons a week.

Supplementary resources for the Just-A-Start program, in addition to private donations, have included the appearance of summer workers sponsored by church groups in neighboring Boston, Lexington, Medfield, Winchester, Milford, Needham, Newton, Wellesley Hills and Concord.

The program's success and appeal are such that the City of Cambridge would like to see Just-A-Start resources provided for other areas of the city, and a move in that direction is underway.

One key factor in the Wellington-Harrington success story has been the technical assistance provided to the Citizens Committee, its housing

development arm, the Development Corporation, and to the Community's Just-A-Start Corporation by the Redevelopment Authority.

House Majority Leader Thomas P. O'Neill, Jr., a resident of Cambridge, has been a staunch supporter of the Wellington-Harrington program through the years.

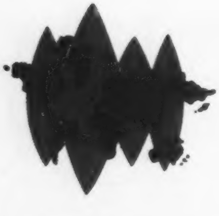
"These are wonderful people," he said of the National Committee for Voluntary Action award winners. "They have given unselfishly of their time and efforts to make their neighborhood a better place in which to live. It's refreshing to see citizens coordinate their efforts so well with the city and with the Redevelopment Authority to make a program operate so effectively."

Mrs. Nicoloro, in expressing her gratitude for the national recognition, explained that "it makes our many years of struggling, sometimes frustration, seem so much more worthwhile.

"However," she added, "it seems ironic that we get such recognition at a time when we're not certain we're going to be able to finish what we started, especially when it is so clearly acknowledged that we have been successful in our goals to date."

Mr. Remer is special assistant to the executive director of the Cambridge Redevelopment Authority.

Just-A-Start workers set the stage for house painting.



Urban Innovations in the U.S. and Abroad

by George C. Wynne

The roots of America's urban crisis lie in the past, in traditional attitudes that until recently were beyond question. Our system of private initiative and minimum government direction is now bumping against the limitations in resources and shifts in attitudes it has itself created. A rethinking of basic values and principles of urban living is required, together with bold measures that may seem traumatic to Americans taught to resent government interference in their personal lives. Such measures may include State and local government power to reform municipal tax laws, planning procedures, and land use; redraw boundaries; change public housing policies; and streamline local government itself to carry out its new mandate competently. In most of these areas other nations are far ahead of us, and there is much we can learn from their experience.

Population Shifts

The twin problems of population and revenue loss, complicated by the property tax system itself, haunt American cities. Our overdependence on the property tax, atypical of the industrialized world, makes our cities vulnerable to shifts in the tax base as people and businesses move from the inner city and real estate values decline. In Europe, local government income generally comes from other sources, such as the business tax in Germany and retained income tax in Scandinavia. Much of the tax money obtained by local jurisdictions comes from revenues collected nationally and portioned out by the central government.

In Japan, an average of 60 percent of the public funds spent by municipalities comes from general revenue sharing by the central government, based on the personal and corporate income tax. Central government subsidies cover revenue imbalance when local jurisdictions are saddled with large bedroom communities, as in the Tokyo-Osaka commuter zone.

Industrial relocation through tax incentives and disincentives, as practiced in Europe and Japan, serves as a tool of population and pollution control policy. The French government uses a system of accelerated depreciation of construction costs, business tax exemptions up to 5 years, cash grants, and subsidies for training and moving personnel. These measures were largely intended to encourage industrial and population movement out of the Paris metropolitan area.

At the same time, disincentives in the form of a special tax per square meter imposed on new industrial and commercial construction in the Paris area were intended to discourage migration into the region. The success of this coordinated effort is evidenced by the fact that new construction in the region, which amounted to half of all construction in France in the mid-sixties, was down to less than 10 percent by 1971.

The Japanese Diet is debating a set of laws that would make certain industries which are generally heavy polluters–liable to an "evacuation tax" intended to encourage early departure from the Tokyo region. It would be coupled with tax and other incentives for moving to underdeveloped areas.

Eastern European countries, being in full control of the industrial base, can insure the execution of master plans by government action alone. The Moscow plan has thinned out the Soviet capital's industries with the intention of stabilizing population at 7 million. The current Five Year Plan foresees the transfer of over 100 pollution-producing plants to regional centers at least 80 kilometers from the capital, strict control of migration into Moscow, and reduction of population in the city's historical center from the present half million to 200,000 by 1985. The city will develop into seven self-contained communities of about 1 million people each, surrounding an inner core that will serve as the governmental, historic, and cultural center of the country.

Land Use and Regional Planning

The power of local authorities to stimulate economic development within their areas varies widely from country to country, but it involves in general some combination of land use, building, licensing, taxation, and governmental protection regulations. In working toward local and regional economic objectives, the primary tool of European planners is the extensive control over land use accorded to municipal and higher levels of government. Unlike the United States, these countries have long recognized the limited supply of land, and have regulated its use. By holding onto control of urban land, either through advance acquisition or through legal mechanisms regulating its uses, European local governments can force private developers to adhere to the municipal master plan for urban growth.

In general, European urban planning has accepted the principle of mixed commercial and residential, industrial, and commercial compartments. Considering the absence of legal powers and municipal financing necessary for an active urban land policy, zoning was not a bad tool with which to achieve a minimum of order in the city. But the use of zoning as a substitute for planning has been a

mixed blessing. When combined with automotive mobility, zoning has accelerated urban sprawl by encouraging commerce and light industry to leapfrog beyond suburban residential neighborhoods. Both the neighborhoods and the countryside have suffered.

European urban centers have not been faced with this problem. Their governments, and more recently that of Japan, have consistently adopted urban policies that provide for balanced growth through careful planning coordinated on a regional scale. Regional planning recognizes that the city cannot be considered apart from its surroundings, and that fragmentation of responsibility among separate units of government is costly and inefficient. Realignment of jurisdictions, amalgamation of small units, and assignment of responsibilities to regional councils of government have been the procedure used in several European countries. The result has been an orderly development of new towns that surround urban centers in a planned way, providing mixed residential/commercial use and a triple tier of neighborhood, district, and central core clusters.

The Social Perspective

The depersonalized atmosphere of the big city is particularly noticeable in the U.S., where human values have often been sacrificed for efficiency and economy. Other countries, though generally headed in the same direction, have not permitted market forces to dictate their lifestyles to the same extent. A Swedish new town plan, for example, starts with people and amenities for them, then factors in industry and other support systems. Special attention is paid to the young, the old, and the handicapped. For the young and fit, the author has seen riding, swimming, and tennis facilities, and even artificial ski slopes, built from construction debris and situated on the edge of the town. For the old, residence clubs with communal dining and social activity options are located amid young-family housing so the elderly can be part of the active population. The handicapped get specially-designed apartments, cash grants for equipment, and services ranging from recreation to transportation.

It has been said that communication is the essence of community, but there is much about today's city life that discourages communication and promotes isolation. One component of urban isolation seems to be the loss of a sense of place, brought about partly by our great mobility and our feeling that physical surroundings and human relationships have become impermanent. In the older cities of Europe and Asia, memories of earlier periods persist to this day through old buildings, street names, interesting physical layouts, and special market days and celebrations. The pace of change is slower, and more attention is paid to the amenities that can make urban living a pleasure.

Some of Rome's most elegant shopping streets, closed recently to vehicular traffic, now have potted flowering trees in huge straw baskets that provide color and shade for strolling pedestrians. In the towns surrounding Stockholm, even supermarkets have balcony coffee shops with tables along the railing where shoppers can snack and "people watch." In Tapiola, Finland, no resident need walk more than 250 meters to reach a shop. In Moscow, each apartment complex has a clubroom for meetings, and tenants can fix up a social area in the elevator lobby of each floor.

Streamlining Local Government

There is wide recognition in the U.S. that local units of government as currently constituted cannot cope effectively with the increasingly complex problems faced by urban America. Thus far, however, our local units—estimated at 80,000—lack the legal powers necessary to effect the sweeping reorganization and streamlining now going on in Europe.

The movement toward consolidation into larger, more technically competent governmental units is quite advanced in the U.K., Sweden, and Denmark, and to a lesser extent in West Germany and the Netherlands. Essentially, these are two-tier urban structures in which the metropolitan authority is responsible for functions of areawide impact such as planning and public services, while member municipalities retain responsibility for local administration. Under the U.K. system, the number of local authorities will be reduced from 1,800 to fewer than 500, with 59 counties in the upper tier and 420 districts in the lower tier.

The common denominator of the urban innovations discussed here is a recognition of the fact that it is the people in the city, rather than the city itself, who are of primary importance. Unless municipal planners can provide for life on a truly human scale, the system which has allowed man to shape his environment will be stifled by its own achievements.

This article is based on a case study prepared by Mr. Wynne, a USIA Foreign Service Inspector, during the 15th session of the State Department's Senior Seminar on Foreign Policy.

Living Centers for the Mentally Retarded

By J. Michael Jones

An exciting new concept in noninstitutional housing and rehabilitation of mentally retarded adults is becoming a reality in Michigan through a program developed and implemented by the Michigan State Housing Development Authority.

Conceived by William G. Rosenberg, former executive director of the authority and the father of a retarded child, the program has developed with strong encouragement and support of Michigan Governor William G. Milliken.

Residents are provided low-income housing in semi-independent group settings and are prepared for local employment in sheltered workshops and job training centers, or to develop business enterprises of their own.

Nine homes, each housing 16 persons, have been built and are now being rented. Four more are under construction and 9 are in various stages of the pipeline. Twenty-four more are planned, to be built throughout Michigan, and to house more than 380 persons.

Need Is Urgent

The urgent need for community-based housing for mentally retarded adults is highlighted in a 1971 authority-sponsored research report which indicated there are 76,000 individuals in Michigan in need of such a program.

Since then, the Michigan Department of Mental Health has released more than 5,000 mentally retarded adults from State institutions, further intensifying the need for community living situations throughout the State.

In addition, parents of retarded children who have been unable to place their youngsters in State institutions have been trying with limited success to find adequate housing in their communities.

Community Living Centers in Farmington, Michigan, sponsor of two group homes which will house 32 persons when completed this spring, already has a waiting list of 120 persons.

As the authority program becomes a reality, increasing numbers of mentally retarded adults now living with parents will become aware of the program, substantially adding to the number who are eligible and want to participate.

Designed for Living

Typically, the authority-financed homes resemble small fraternity houses with eight bedrooms designed for double occupancy. Each home has a large living room, dining area, kitchen, and ample recreation or lounge area.

The homes are owned by nonprofit organizations made up of local people with concern and experience in the field of mental retardation. These organizations supervise the management, arrange for delivery of supportive services, and are responsible for the homes and their operation.

The owners are assisted by resident manager couples

Residents are "at home" in attractively designed dwellings on landscaped sites.

and the residents participate in everyday functioning of the homes.

The average mortgage per home, including land, structures, fees and all other charges, is about $200,000.

The authority provides interest free "seed money" loans to the sponsors for early development costs such as land options, survey and engineering reports, and architectural fees.

Construction and mortgage financing is provided later at below market costs from proceeds of the authority's tax-exempt revenue notes and bonds.

Residents in several of the prototype homes have the advantage of reduced rents made possible by Section 236 interest reduction payments which reduce the interest rate to as low as one percent.

Staff salaries, social services, food and other programs and services are also absorbed by the residents from money they receive from employment, Social Security and other sources.

Thus, the homes are economically self-sustaining, which prompted this comment from a nonprofit board member:

"The residents will not be treated as non-persons or patients. They'll be treated as persons who receive income and pay their own way."

Locations Important

Finding the right location for the homes is a difficult, time consuming process. Ideally, the homes should be within walking distance to jobs, shopping, schools, recreation facilities and sheltered workshops. Lacking this, public or private transportation is a necessity.

The sites must also have proper zoning classification and fall within reasonable cost parameters.

The many hours of effort and community education by numerous dedicated volunteers to find and obtain land for the homes is paying off as communities throughout Michigan are beginning to identify and assume responsibility for care of mentally retarded persons, rather than "warehousing" them in State institutions.

Moreover, private fundraising is being promoted by such public spirited groups as the Jaycees to help the owners furnish the homes.

But houses are not enough. The mentally retarded person needs understanding and acceptance.

Ancillary Services Provided

The typical home is staffed by a full-time resident manager couple, part-time cook and housekeeper, a part-time aide and other staff as needed.

The resident managers also function as houseparents, living in a two-bedroom apartment and receiving relief help on a regular basis.

Each resident receiving aid from the Michigan Department of Social Services has a social worker. Additional social services may be provided by one member of the resident manager couple trained in social work, or from a social worker whose services are contracted through county or community social service agencies.

Despite the completeness of staff functions, every effort is made to maintain close contact with the parents of residents, parent groups and others interested in the mentally retarded, a policy consistent with basic goals of group living philosophy.

This philosophy is also reflected in the primary staff responsibility to assist residents in integrating their life styles into the pattern of life in the surrounding community, a process known to professionals as "normalization."

Residents get help and experience in securing and holding full-time employment, and in participating in such home-based activities as cooking, cleaning, riding a bus and banking a paycheck.

This is not to suggest that all therapeutic and supportive services will be in-house, for it is expected that the residents will be away from home during working hours. Nevertheless, the homes must be able to meet staff services required by the residents.

As each home is unique in its makeup, each has an individualized budget which is approved and monitored by the authority to insure necessary services and continued solvency.

The authority is using several financial techniques to maintain low rent schedules while also providing required services within modest budget outlays, even in those homes without HUD subsidies.

These techniques include direct authority grants for land and early development costs, community tax abatement measures which provide for payment of a percentage of rental income in lieu of local taxes, and use of existing structures.

Similar Programs Sought

Enthusiasm for the authority concept is growing in Michigan and other States. The authority has received dozens of applications for assistance from Michigan communities, and other States are seeking the authority's assistance in developing similar programs.

The spokesman for one of these groups summed up his enthusiasm for the authority program thus:

"Part of the idea behind the Michigan concept is that we don't know the true potential of retarded persons, because only in recent years have we had the opportunities available for training.

"Putting the mentally retarded in a noninstitutional living environment, nearly on their own, is an important part of the training process. We hope that through programs such as this, the mentally retarded will be able to progress to more independent living and ultimately reach their potential as fully productive members of their communities."

Mr. Jones is chief information officer for the Michigan State Housing Development Authority.

They Said It Couldn't Be Done:
Development Thrives Despite Odds

By Janice Rattley

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Over the past several years the problems of subsidized housing have taken on increasing proportions with a growing number of defaulting projects, abandoned and vandalized housing, and dissatisfied management and tenants.

The crux of the problem has been the inability of projects to generate sufficient income to meet the rapidly increasing cost of operation. Combined with this has been a growing apathy on the part of management and tenants. The result has been staggering: as of Aug. 1975, 754 subsidized multifamily projects were in default. In other words 5.22 percent of all HUD-insured multifamily projects were in default.

To reverse this trend, a number of new initiatives have been forged by HUD's Office of Housing Management under the leadership of Assistant Secretary Crawford. They include new policies aimed at professionalizing managers of HUD-assisted housing (a goal has been established in FY 76 to certify 500 insured housing managers); developing a Multifamily Early Warning System to determine through a computerized system those projects which are having difficulties and may be heading towards default; and liberalizing income policies under the 221 (d)(3) Below Market Interest Rate program to allow for greater income for these projects. Other similar policies are also being formulated. However, these are steps being taken by *HUD.* It is, refreshing therefore to report on a subsidized development which faced numerous serious obstacles but, through *its own* efforts, achieved success. Belford Towers is a below-market-interest-rate apartment complex, a Section 221(d)(3) project, serving low- to moderate-income tenants in the Maryland suburb of Prince Georges County. The project

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1. Rear of Belford Towers overlooks swimming pool.
2. Day care center at Belford Towers offers full range of play and learning activities for active youngsters.
3. Members of Belford Towers Management Co., seated from left to right are: Rudolph A. Hotten, Resident Mgr., Donald Calomiris, James Ray Miller, Jr., Wm. J. Calomiris, Wm. F. Grund, Bruce Ashton, J. Hawley Smith. Standing from left to right: Edward J. Walsh, Ralph E. Becker, Wm. H. Press, Joseph C. Murray, Charles W. Sherren, Ronald Goodwin, Wm. E. Kanely, and Wm. W. Becker, shown in inset.

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came into being and has survived because a group of men were determined, despite many obstacles, not to give up.

It was the Metropolitan Washington Board of Trade that conceived plans for the project in 1968. This organization—dating back to 1889—claims the membership of over 7,000 individuals, many of whom are the most successful business representatives in the Wash., D.C. metropolitan area.

The board was determined, under its president, William Calomiris, to advance the idea of a complex for low- and moderate-income families that would not simply house people but would serve as an example of the way people *should* be housed.

To achieve this goal the Belford Towers Foundation, Inc., was formed to serve as sponsor of the development and a management group was created, known as the Belford Towers Management Company. The company consists of representatives of the area's leading management firms, including Joseph C. Murray, Vice President of Shannon and Luchs; Edward Walsh, President, Thomas D. Walsh, Inc.; Wm. F. Grund, Vice President, B.F. Saul Company; and, William and Donald Calomiris, President and Executive Secretary, respectively, of the Wm. Calomiris Investment Company. These men devote a great deal of time to showing that subsidized housing can work.

Belford Towers Completed

In late 1969 the three 12-story buildings with 468 units were completed—well ahead of schedule and at a cost of almost $1 million under the original estimate. A remarkable success during the first 1½ years of operation, the complex had high occupancy rates, low turnover and financial solvency. Then the roof caved in—*almost literally.* Hurricane *Agnes* hit the Washington metropolitan area, laying bare major waterproofing problems in the complex. The walls leaked. And just as the complex was becoming physically immersed in water it also became *financially* immersed. Resident turnover increased; operating expenses rose dramatically and problems multiplied.

In December 1972, the Belford Towers Foundation, Inc., applied for HUD relief. Instead of cutting their losses and writing the complex off as a good intention that didn't work, the foundation was determined to try to repair the property and to make the project work. In order to do this, new walls had to be constructed in addition to those that already existed. From December 1972 until recently the foundation has struggled to make ends meet and to make its payments current. Several amendments to the original agreement to provide assistance were made by HUD.

During this period the Belford Towers Management Company continued to meet every 2 weeks to iron out management problems and to consider ways to make the project financially sound.

Efforts Paid Off

Today Belford Towers is a sound project. It houses approximately 450 families including roughly 1,800 children. It is 97 percent occupied; rents are paid when due; and mortgage payments are current. Belford Towers Management Company president Joseph C. Murray sized up the Belford Towers experience: "Management is coping with problems. I believe any development, subsidized or not, can be managed. However, two primary factors are needed. One is knowledge—organizational skills being part of it. The other is the human element. Without both, it will not work. This means that management must be dedicated to the effort. In other words, one must care."

Results Visible

Care and dedication are evident at Belford Towers. In addition to the 468 units, the project now has a swimming pool, a day care center, which provides care for 34 children ages 3–5 and a social hall in which church services are also held every Sunday.

Vistors to the building notice its maintenance first. Although 1,800 of the residents are children, including many teenagers, there is no litter and noise. This is because management cares about recreational activities. During the summer, the swimming pool is widely utilized. A summer recreation program was launched in conjunction with Prince Georges County ; bus tours are taken to Kings Dominion, a large new attraction near Richmond, Va.; the Frederick Douglass Home; Hershey Park; and other places of interest.

The grass is green and the hillsides are covered with a thick green "carpet," adding to the attractiveness of the area. J. Hawley Smith, Chairman of the Board of Directors, Fred A. Smith Co., had seen crown vetch in his travels and decided it was the ground cover for Belford Towers. He spent considerable time finding someone in the Washington area who knew how to plant it.

Although there is no organized tenant group (apparently because the tenants are pleased with living conditions) tenants voluntarily serve as floor monitors to assist the management.

Assisting on a day-to-day basis is the General Manager, Rudolph A. Hotten, a resident of Belford Towers. Hotten had never managed a development before but his ability to relate to people qualified him for the job. When asked how he manages such a large complex so well, he said: "The main thing is to show people you care, and to expect them to respond similarly." He knows the tenants, and they speak highly of him. "He's the greatest," one tenant said. "He is also very strict. Repeated acts of vandalism, for example, are not allowed here."

Belford Towers serves as a model of well-managed, subsidized housing. It took time, dedication, and skill. With all these it can work, and is working at Belford Towers.

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notebook

The increased downpayment requirements and limited subsidy provided by the revised homeownership program will result in the new program focusing primarily on families who traditionally have been successful homeowners but are now priced out of the new home market because of high interest rates and escalations in housing costs. The new geographic dispersal requirements will eliminate concentrations of subsidized housing units. The new program will involve the use of $264.1 million in contract authority, enough to subsidize over 250,000 new single-family units. This subsidy tool should provide a stimulus to the troubled housing industry and result in a significant number of new construction jobs.

The new homeownership subsidy program allows HUD to subsidize homeowners as well as renters, single-family as well as multifamily construction, and moderate as well as lower-income families.

A record 240 million visits to the country's national parks are anticipated during the bicentennial year, with the National Park Service (NPS) implementing various plans to reduce visitor overload. The national celebration in the parks includes "living history" demonstrations, outdoor dramas, early American arts and crafts exhibitions and demonstrations, traveling exhibits and films, among other things.

The list of consumer grievances compiled by the U.S. Office of Consumer Affairs shows that complaints related to mobile homes jumped to fourth place in 1974 compared to seventh in 1973, 13th in 1972 and 14th in 1971. However, various States, as well as the Federal Government, have moved to end some of the deception and poor service that have often plagued mobile home buyers.

With the help of $5 million worth of structurally sound homes awarded by HUD, and another $5 million in HUD rehabilitation loans, 22 cities will spend about $50 million of their own funds to launch an experiment in urban homesteading as a device to preserve selected ailing urban neighborhoods. The 22 cities selected from a total of 61 applicants submitted the most comprehensive and coordinated plans for utilizing the basically sound housing supplied by HUD from its inventory of foreclosed one- to four-family homes.

HUD has initiated a nationwide search for practical methods of removing or permanently covering lead-based paint to eliminate the potential hazard it presents. It is estimated that about 600,000 children suffer from lead poisoning as a result of swallowing paint.

HUD Secretary Carla Hills was named an Honorary Member of the Columbian Toastmistress Club during the recent celebration of International Toastmistress Club Month. From left to right are: Katherine Peterson; Priscilla Jones, President, Columbian Toastmistress Club; Secretary Hills; and DeOssie Hilliard.

Several key HUD field appointments have been made during recent months: They include the appointment of Maurice E. Fry, Jr., as Administrator of HUD's Region I, serving the New England States from headquarters in Boston; Robert W. Buskirk as Director, Jacksonville Area Office; Paul T. Cain as Director, Philadelphia Area Office; Sterling R. Cockrill, Jr., as Director, Little Rock Area Office; Franklin H. Corley, Jr., as Director, Columbia Area Office; Gerald J. Hannon as Deputy Regional Administrator, Region VIII (Denver); William H. Hernandez, Jr., as Director, Boston Area Office; Sirrouko Howard as Director, Providence Insuring Office; Walter J. Johnson as Director, Newark Area Office; Thomas Kilbride as Director, Kansas City Area Office; Perrin M. Law as Director, Charleston Insuring Office; Vincent A. Marino as Deputy Regional Administrator, Region III (Philadelphia); Edward J. Moger as Director, Seattle Area Office; Everett H. Rothschild as Director, Baltimore Area Office; James P. Sweeney as Deputy Regional Administrator, Region II (New York); and, Ernest L. Waller as Director, Memphis Insuring Office.

HUD is seeking new projects for the use of solar heating built into the home, including domestic hot water, and possibly combined heating and cooling systems. Proposals have been requested for demonstration projects integrating solar energy systems into building plans for single and multifamily homes.

Summary of HUD Activities 1 Year after The Housing and Community Development Act of 1974

Jennifer McMurray Read

On August 22, 1974, President Ford signed the Housing and Community Development Act of 1974. This statute "is probably the most important legislation on community development since the passage of the Housing Act of 1949," according to Senator John J. Sparkman, then Chairman of the Senate Committee on Banking, Housing and Urban Affairs.

President Ford observed: "In a very real sense, this bill will help to return power from the banks of the Potomac to people in their own communities. Decisions will be made at the local level. Action will come at the local level. And responsibility for results will be placed squarely where it belongs–at the local level." Implementation of this landmark statute was a major focus of activity for HUD over the past year.

Previously grants for community development funds were available for eight categorical programs. Under Title I of the new statute, localities apply for a single lump sum, a block grant, the amount of which is determined not by a community's expertise at "grantsmanship" but on a needs basis. A community must establish in its application its own priority system for allocation of funds. HUD's role is limited to ensuring that a community's needs are fairly represented and to seeing that the community allocates block grant funds as planned. Because applications are required to reflect citizen needs, local governments have an incentive to improve their own systems for assessing community requirements and delivering community services.

Community development block grant regulations were completed well before the deadline. Training was carried out for field staff in all 10 HUD regions as well as in the Central Office. Orientation seminars were held for participating cities.

The first year of the block grant program was telescoped into a 6-month period from January through June 1975–the end of fiscal year 1975. By June, block grants were approved for 1,272 cities entitled to funds on the basis of prior participation in categorical programs. In all cases, approval was granted within the 75 day statutory time frame for processing. Seventy-three urban counties were qualified to receive block grants, and applications for most were approved by the end of June. Preapplications from 6,500 communities were received and full processing begun.

HUD Secretary Carla A. Hills described the community development block grant program's first year as a "considerable success." Seventy-eight percent of recipients of block grants told HUD the program "significantly increased their ability to respond effectively to local problems," Secretary Hills said. Additional benefits were the simplification of funding application processes and diminished Federal intervention, according to some 80 percent of localities surveyed by HUD.

Housing Assistance

The Housing and Community Development Act was a major step in orienting the Department from supporting the production of low-income housing to helping low-income families find housing in locations of their choice. Funds from the Section 8 rental assistance program may be used by a community for new construction–which can put under-used land to work–or rehabilitation–which aids in preservation of urban neighborhoods. Existing housing can also be used.

By the end of fiscal year 1975, funds were committed for more than 91,000 units–double the anticipated number. One billion six hundred million dollars was appropriated for rental assistance to more than 400,000 lower-income families in fiscal year 1976.

The Housing and Community Development Act authorized HUD to give local governments housing for use in urban homesteading programs.

On May 22 Secretary Hills announced a demonstration program giving $5 million worth of homes to local urban homesteading programs. Participating cities would be named this fall. Another $5 million in Section 312 funds was made available for the program. Secretary Hills commented: "We know that urban homesteading is not the panacea for the ills of declining neighborhoods. Still, the essential soundness of the concept is inescapable. We look to our demonstration program to document the value of this tool for use in neighborhood preservation. We are cautiously optimistic."

The Housing and Community Development Act required HUD to complete within one year a study of condominium and cooperative housing. On the anniversary of the 1974 Housing Act, Secretary Hills released the report of HUD's Condominium and Cooperative Housing Study. "The study is the first attempt, on a national scale, to gather information on and analyze the factors leading to the recent rapid growth in condominium housing. The report contains the most detailed national data available on condominiums, the most comprehensive survey of State laws applicable to condominiums, and the only extensive analysis of the nature, extent and severity of problems and abuses that have occurred and may occur in condominium and cooperative development and conversion," Secretary Hills said.

Regulations implementing the National Mobile Home Construction and Safety Standards Act of 1974 (Title VI of the Housing and Community Development Act of 1974) were issued in August to go into effect June 15, 1976. The standards established by the regulations address mobile home planning, construction, durability and safety. They represent the *first* time the Federal Government has regulated mobile home construction to reduce injury, death, and costs from accidents and to improve the quality and durability of mobile homes.

Final regulations on Section 202 of the Housing Act of 1959 as revised by the Housing and Community Development Act of 1974 were also issued in August. The new regulations limit construction and rehabilitation loans for housing for the elderly and handicapped to those projects meeting the requirements and receiving the benefits of housing assistance payments under the Section 8 program.

The Housing and Community Development Act made two major revisions in the FHA mortgage insurance program. Under the Section 518(b) program, HUD was directed to pay for repairs of substantial defects threatening life and safety in homes in older, declining areas with mortgages insured by FHA between 1968 and 1973, when the defect should have been remedied as a result of the initial inspection.

In another change, FHA mortgage insurance was made available for the financing and refinancing of existing apartment buildings. Before the law was changed, FHA mortgage insurance was available only to aid in financing newly constructed buildings. Under this program, 223 (f), the sale or refinancing of older apartments will be facilitated by making permanent financing available for good quality projects. This will often permit developers to reinvest in new projects.

During the first year of the Housing and Community Development Act several lesser but notable laws were enacted. The Emergency Home Purchase Assistance Act of 1974, enacted on October 18, was designed to stimulate depressed single-family housing starts and cut down high unemployment in the construction industry. The Act authorized the Government National Mortgage Association (GNMA) for the first time to purchase below market interest rate conventional home mortgages, as well as FHA and VA backed mortgages. Conventionals account for approximately 80 percent of the home mortgage market. HUD's GNMA administers the program, which was extended to July 1, 1976, by the Emergency Housing Act of 1975.

Under this Act and its other programs, GNMA generates mortgage credit by entering into advance commitments with private lenders to purchase mortgages at predetermined rates and by absorbing the difference between the predetermined rate and the actual market rate at the time the mortgage is purchased under the commitment.

The conventional program was implemented 4 days after the statute was enacted. Between October 1974 and July 1975, GNMA assisted approximately $7 billion worth of conventional home mortgages. That translates into 200,000 homes.

From January 1974 through July 1975, the spectrum of GNMA mortgage assistance programs generated more than 500,000 homes. Fifteen and one-half billion dollars in mortgages for apartments and single-family homes, both FHA-insured and conventionally financed, were assisted by GNMA in this period.

The Real Estate Settlement Procedures Act of 1974, enacted on December 22, directs HUD to ensure effective advance disclosure of settlement costs to home buyers and sellers. Prior to the Act's effective date of June 20, 1975, HUD developed and distributed implementing regulations, including a standardized form for statement of settlement costs. The Department also prepared and distributed before the effective date an information booklet which lenders must give to mortgage applicants. The booklet explains costs involved in a real estate settlement, shows a sample of the standardized form, and alerts home buyers to unfair practices and excessive or unnecessary charges to be avoided.

Community Betterment

A second major focus of HUD activities was the continuation and expansion of existing programs that have demon-

strated their value. Many of these efforts are centered on HUD's mission to reverse the decline of urban areas. More than $57 million in Section 312 low cost rehabilitation loans will be distributed in fiscal year 1976. The combination of Section 312 loans with community development funds earmarked for rehabilitation will amount to more than $277 million this fiscal year. In fiscal year 1975, applications for $52 million in Section 312 funds were approved.

One of HUD's ongoing property disposition programs, the Property Release Option Program (PROP), was expanded this year to include States and agencies of States and local governments. Formerly limited primarily to local governments, PROP offers HUD-owned single family properties for use as parks, parking lots, sites for public facilities, urban homesteading and any other State or local tax supported project. As of June, approximately 3,600 such properties were available for transfer.

HUD's Target Project Program (TPP) for improving the general livability of public housing projects through subsidies for so-called software items such as security and management was converted from a 1-year to a 3-year program. Eighty-nine local housing authorities were selected to receive $35 million in TPP funds for fiscal year 1975–up from 37 participants in fiscal year 1974 (also a $35 million program).

In addition, $500,000 in TPP funds will be used in a training program for employees of Indian Housing Authorities to improve management of Indian housing projects. The training program was recommended by the executive directors of Indian Housing Authorities at the National Conference on Indian Housing held in November 1974.

The Indian Housing Conference, the first sponsored by HUD, marked the Department's increased recognition of the unique housing problems of native American Indians. As a result of the conference, the position of Assistant Regional Administrator for Indian Affairs was created for Region IX.

Equal Opportunity

HUD efforts to expand voluntary fair housing compliance accelerated over the past year. The period from June 1974 to August 1975 was highlighted by 14 areawide affirmative marketing plans, compared to one in 1973. Through areawide affirmative marketing plans, HUD attempts to involve as broad a spectrum as possible of the housing industry and its consumers in across-the-board commitments to ensure equal access to housing without regard to sex, race, color, religion or national origin.

Merging of fair housing objectives with those of the community development block grant program was explored at a 2-day "Conference on Fair Housing and Funding." More than 500 fair housing organization representatives from across the Nation discussed methods of representing fair housing interests in community funding applications.

Federal Insurance

In a dramatic increase in community participation, HUD's National Flood Insurance Program processed approximately 1,300 community applications since February 1, 1975–compared to 700 for the last quarter of 1974. The program encourages flood plain management in flood prone areas and offers subsidized flood insurance for residents of participating communities. By the end of June 1975, more than 10,000 communities and 600,000 structures were covered by the program (sixteen thousand communities have been identified as flood prone and 6.4 million structures are located in flood hazard areas).

As of July 1, 1975, no federally regulated financial institution may make loans for *new* construction or purchase of *new* mobile homes in identified flood hazard areas located in non-participating communities. However, the Emergency Housing Act of 1975 permits these institutions to make loans for resale houses, previously rented apartments, and previously occupied mobile homes through December 31, 1975.

The National Flood Insurance Program compensates insured families for all but five percent or $500 of damages (whichever amount is greater) to both the structure itself and interior furnishings. The program is intended, over time, to substantially replace Federal disaster assistance in that such assistance often encourages relocation in high hazard areas. The advantages of insurance are obvious because most disaster relief loans must be repaid and are dependent on a Presidential declaration.

Program Administration and Standards

A third major thrust of HUD activities over the past year was the intensification of efforts to improve administration of HUD programs. Most notable is a comprehensive program to improve administration of HUD mortgage insurance and servicing activities. In one of a series of immediate impact actions, Secretary Hills has directed the head of each field office to report directly to her on all significant potential problem areas.

In addition, the Department has undertaken intensive actions to produce results over the longer term. These include clarification of standards for FHA-insured mortgage servicing, clarification of underwriting and inspection standards for originators of FHA mortgages, clarification of the responsibilities of lenders to maintain FHA-insured properties during foreclosure proceedings, and clarification of sanctions applicable to lenders who fail to meet HUD standards. The Department also is improving its own capacities and procedures for monitoring lender compliance with HUD regulations and procedures.

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Lesotho
Modular Construction

This article is based on information contributed by James Alrutz, former director of the Peace Corps program in Lesotho and now Director of the Architecture and Construction Society of Lesotho.

Lesotho, an independent Nation completely surrounded by the Republic of South Africa, is one of the smallest countries on the African continent. It has an area of 11,716 square miles and a population of approximately 1.1 million, mostly native Africans known collectively as Basotho. Although Lesotho, which gained its independence from Great Britain in 1966, has one of the highest literacy rates in Africa–approximately 60 percent–the standard of living remains at a subsistence level. One reason is that Lesotho is a mountainous country with little cultivable land. Another is that there are few employment opportunities within the country. About 45 percent of the male labor force goes to the Republic of South Africa to find work.

Lesotho receives foreign aid from several countries, and is using most of it to build facilities essential to its infrastructure. Since no Basotho firm has yet been judged competent to undertake a major construction project, contracts must be awarded to foreign firms, with the result that badly-needed capital leaves the country. In an effort to reverse this trend, the Ministry of Education in 1972 established a vocational school that would function as a construction company and also provide on-the-job training to Basotho in architectural design and drafting, construction management, and skilled trades. The school was supervised by two U.S. Peace Corps Volunteers.

In early 1973, the school was moved to the campus of a technical institute in the capital city, Maseru. Later that year, in order to have the legal status to undertake construction contracts, the school was converted to a registered society, the Architecture and Construction Society of Lesotho (ACSL). A limited-liability construction company was also registered, under the name of Modular Systems (Pty.) Ltd., and became the primary operation of the Society.

Housing Shortage

A severe housing shortage exists in Lesotho, and is particularly critical in Maseru. The largely rural Basotho have traditionally made their own provisions for housing, but it is not possible to continue that custom in a metropolitan setting. The Government of Lesotho, working through its National Development Corporation, plans to establish several building cooperatives to help combat both the scarcity of housing and the shortage of decent jobs. The backbone of these organizations will be Basotho who have learned a trade or a professional skill during on-the-job training with Modular Systems.

As of October 1974, seven houses and three other buildings had been completed under the training program, using the modular construction system devised by the Peace Corps Volunteers. This system utilizes precast concrete wall panels pretensioned with barbed wire and cast on the job site, and shop-built wood components (doors, windows, trusses, etc.) transported to the job site and erected along with the wall panels. The panels, which measure 600 by 2,400 by 50 millimeters, are easily transportable and can be altered to include electrical conduits or any other requirements. They are manufactured in a permanent precasting yard, entirely under the supervision of a Basotho foreman. At the construction site, the panels are put together with poured concrete joints, utilizing standardized forms. Exterior walls are formed by an outside and an inside panel, with a 50-millimeter space between them that is filled with pre-cut fiberglass insulation. The once-difficult job of installing windows has been reduced to merely pouring concrete around the frame.

The precast concrete panels are reported to be an excellent means of construction, vastly superior to low-grade brickwork. The buildings completed by Modular Systems have been well received by the Lesotho Government and the organizations for which they were erected, and ACSL/Modular Systems has been asked to consider a number of other projects.

get the lead out!

by David Engel

Chips of lead-based paint look harmless enough, but in the hands of a young child, those chips can be extremely dangerous. Mental retardation, learning handicaps, neurological diseases, paralysis and even death may result from lead ingestion, and yet the damage caused by eating lead-based paint often remains unsuspected and undetected. Each year children are poisoned or have their health permanently impaired when they eat chips of the lead-based paint which was used so extensively in housing in the past. Until the mid-1950's, lead pigments were used extensively in the best house paints.

Although lead poisoning has been observed and known for centuries (it has been theorized that many of the ancient Romans suffered from acute poisoning due to the use of lead dishes and wine vessels), lead paint was only recognized as a major source of lead poisoning in the 1930's.

Because lead-based paint is today recognized as a primary source of high dose lead poisoning, and is considered a major health and housing problem, HUD's Office of Policy Development and Research is involved in an ongoing research program to develop solutions which will

eliminate the lead-based paint problem in housing.

In 1971, Congress enacted the Lead-Based Poisoning Act which provided for a comprehensive program to control lead poisoning. Although most responsibilities were assigned to HEW for the screening and treatment of children, the Act directed the Secretary of HUD to:

"...develop and carry out a demonstration and research program to determine the nature and extent of the problem of lead-based paint poisoning in the United States, particularly in urban areas, including the methods by which the lead-based paint hazard can most effectively be removed from interior surfaces, porches, and exterior surfaces of residential housing to which children may be exposed."

HUD is exploring innovative wall and trim covering systems for possible use as barriers to flaking lead-based paint covered surfaces.

Early in 1973 a program was initiated to measure the hazard of lead poisoning and to examine available methods for the abatement of lead paint hazards. During the first 2 years, the lead-based paint research budget was a modest half million dollars.

By 1974, an expanded program was in order. The Office of Policy Development and Research established seven issues which would guide all present and future activities of the lead paint research program. They were:

- The extent of the lead-based paint and lead poisoning problem;
- the sources of lead resulting in lead intoxication;
- when, and at what levels, lead paint on walls and woodwork present a hazard;
- how best to detect the hazard;
- how the hazard can be eliminated in the most cost-effective manner;
- how State and local programs most effectively control lead poisoning;
- how information on detection and hazard elimination might best be made available to those needing such information.

To respond effectively to this expanded research mandate, the lead-based paint research budget was doubled in 1974 to $1,000,000; doubled again in FY-1975; and will exceed $2,300,000 in FY-1976. Today, lead research is the third largest single research program in HUD's Office of Policy Development and Research (PD&R).

The greatest barrier to effective elimination of lead paint hazards remains the high cost of detection and abatement. Present data indicate that the cost of lead hazard abatement can well exceed $1.00 per square foot. Therefore, the removal of accessible lead paint can exceed $1,500 a unit, or over $4.5 billion if lead paint is to be totally removed from our living environment.

For this reason, the PD&R lead paint research program has emphasized the development of new and improved technologies for the detection and abatement of lead hazards.

Scope of Problem

Estimates were made in 1972 by the lead paint research project that there are 50 million housing units in the United States containing high levels of lead-based paint. Between five to seven million of those units may at any one time have peeling and flaking lead-based paint covered surfaces. In addition, the project developed estimates that at any one time there may be as many as 600,000 children, mainly in inner-city deteriorated areas with high lead blood levels.

New Methods of Elimination Sought

Currently available methods for the detection of lead in paint are not adequately sensitive and are too costly and time consuming. Therefore, HUD, through PD&R, has awarded two contracts to major research laboratories for the development of new improved analyzers for lead detection. Presently available methods for detecting lead-in-housing may require as many as 100 lead measurements per house to isolate hazardous lead paint. Today, lead inspection with a portable instrument may cost between $25 and $100 a house. It is hoped that the products of those contracts for the development of new, more sensitive X-ray analyzers for lead will prove to be more time saving, will allow accurate detection of a much lower level of lead in paint than is possible with currently available methods, and will be cost-effective.

In conjunction with the development of more effective detection methods, a four city, 250-unit, experimental hazard elimination pro-

gram is now underway. Over 20 hazard elimination techniques not commonly in use are being thoroughly tested and evaluated for cost and implementation characteristics. Building materials including plywood, gypsumboard, gypsum-jute fabrics, and cement-fiberglass sheets are being evaluated to determine whether or not they are cost-effective when used as barrier materials over lead-based paint. Removal methods being evaluated as a part of the program include techniques incorporating electric heat guns, infrared paint removal devices, and solvents used with mechanical scrapers.

The use of acerbic paints and/or bitter-tasting ingredients in coatings is also being considered by PD&R as an alternative method to deter children from eating lead-based paint, thereby preventing lead poisoning. It is believed that the bitter taste of an acerbic layer applied on top of a lead-based paint coat will be sufficient to discourage Pica, a disorder in children which is typified by a tendency to eat non-food substances including lead paint chips. While acerbic substances are being fully tested for toxicity, effectiveness, and short and long-term effects, it is still too early to tell whether or not the approach will be effective. If the acerbic approach works, this method may constitute the long sought technological breakthrough.

Innovation in Removal Techniques

The lead paint research project is placing greatest emphasis on the development of innovative methods for removal or abatement of lead hazards in housing where lead-based paint covered surfaces are accessible to young children. The greatest barrier to effective lead poisoning control is the high cost of treating lead hazards in housing once they have been detected. Presently available methods can result in costs of over $2,000 a unit. Over one-half of HUD's funds for lead-based paint research are now committed to developing more cost-effective methods of eliminating lead paint hazards.

Last spring, a comprehensive request was issued for proposals from research laboratories, building materials manufacturers, electronics firms, and interested industries, offering substantial developmental funds to those companies with innovative ideas for the development of lead-based paint hazard removal and covering systems. Consequently, a number of developmental contracts were awarded to firms that will, it is hoped, be able to make significant advances in the state-of-the-art of lead hazard abatement.

As a result, PD&R is now developing innovative lead paint removal methods including systems utilizing encapsulated chemicals, steam volatile chemicals, and infrared paint removal units. The system utilizing encapsulated materials on a carrier film which can be applied to painted surfaces and can be activated by heat or pressure, and then peeled off (thereby removing the lead paint) will, it is hoped, serve as an efficient method for the homeowner or contractor to effectively eliminate the lead paint hazard in housing. The system using steam volatile chemicals is being developed in hopes that it may prove to be an efficient and cost-effective method for softening paint so that it may be more easily removed from wall and trim surfaces. Funding is also being given for the further development and modification of a commercial line of hand held, gas-fired, infrared paint-removal units.

In conjunction with the development of lead-based paint removal methods, PD&R is exploring several innovative wall and trim covering systems for possible use as barriers over unsound or flaking lead-based paint covered surfaces. Materials which may be considered and incorporated into those proposed barrier systems include fiberglass, mineral fibers, nylon fibers, glass reinforced polyester, and asbestos cement.

The development of removal and covering systems such as these for use in the treatment of lead hazards will substantially increase the likelihood of the elimination of the lead-based paint problem in housing. While HUD is conducting this ongoing research, and playing a major role in the overall Federal program, extensive efforts are also being made to encourage interest on the part of private industry in the problems of lead hazard elimination. Individuals, public interest groups, and members of industry who believe that they have or may develop systems or methods with potential for use in lead hazard abatement in housing are being urged to contact the Lead-Based Program in PD&R.

Technological research on the detection and abatement of lead hazards is only part of the increasingly complex activities being conducted by the PD&R lead-based paint project. Research projects are being initiated which will more clearly identify the nature and impact of various sources of lead on childhood lead poisoning. Jointly with HEW, the lead research project is exploring the impact of various nutritional deficiencies of inner-city children on lead poisoning. New surveys to confirm the initial estimates of the extent of lead paint and lead poisoning are being designed. Finally, the lead paint research project is establishing a clearinghouse to provide rapid information to local health departments, homeowners, families with lead poisoning and others on the latest developments in lead poisoning control and hazard abatement.

Strictly speaking, lead poisoning is a health problem, a disease. Yet its prevention and control is more of a community environmental problem. Prevention of this disease really involves a manmade environmental health problem with complex issues of economics, health, sociology, and technology. Although development of total solutions to this most difficult problem is not easy, HUD's lead-based paint research program is pointing the way toward eventual elimination of this manmade disease.

Mr. Engel is Program Manager, Lead-Based Paint Research, HUD Office of Policy Development and Research.

Trends in Mobile Home Production

Mobile homes have accounted for an increasingly larger share of the single family housing produced over the past 10 years. Comparison of mobile home shipments to the combined total of shipments and single family housing starts indicates that manufactured homes increased from 18 percent of the total single unit production in 1965 to 33 percent in 1970 and 1973. In comparison to the combined total of mobile homes and all private housing starts, mobile homes increased their share of the total housing market from 13 percent in 1965 to better than 20 percent each year, from 1970 through 1974. However, for the first half of 1975, mobile homes dropped to 20 percent of the single unit aggregate and to 17 percent of the private production aggregate.

HUD/FHA implemented a program in 1970 for the insurance of loans made by approved lending institutions for the purchase of new or existing mobile homes. The Veterans Administration instituted their program in 1971 which guarantees lenders against losses on loans to veterans to purchase new or used mobile homes. The combined Federal programs have provided assistance in the financing of more than 46,000 mobile homes for the 4½ years ending in June 1975. Currently the federally-assisted units represent 3 percent of the number of unit shipments. The average VA guaranteed loan is now $8,900 while the HUD/FHA-insured loans average $9,230. The substantial increase in the young moderate income section of the housing market expected over the next several years, should bolster demand for accommodations of this type.

Comparison of Mobile Home Shipments to Private Housing Production
(Units in Thousands)

Year	Total Single Unit Production	Single Unit Starts	Mobile Home Shipments	Mobile Home Shipments as Percent of Single Unit Production
1965	1,180	964	216	18
1970	1,214	813	401	33
1972	1,885	1,309	576	31
1973	1,699	1,132	567	33
1974	1,259	888	371	30
1975 to 6/30/75	503	401	102	20

Year	Total Private Production	Total Private Starts	Mobile Home Shipments	Mobile Home Shipments as Percent of Private Production
1965	1,689	1,473	216	13
1970	1,835	1,434	401	22
1972	2,933	2,357	576	20
1973	2,612	2,045	567	22
1974	1,709	1,338	371	22
1975 to 6/30/75	615	513	102	17

HUD/FHA, VA Mobile Home Loans as a Percent of Total Mobile Home Shipments: 1971-1975
(Dollars in Thousands)

	Total Mobile Home Shipments		Federally Assisted Loans: HUD/FHA, VA		Federally Assisted Loans as a Percent of Total Mobile Home Shipments	
Year	No. of Units	Amount	No. of Loans	Amount	No.	Amount
1971	496,570	$3,297,225	7,175	$ 55,318	1.4	1.7
1972	575,940	4,153,103	12,110	103,064	2.1	2.5
1973	566,920	4,406,382	15,252	139,972	2.7	3.2
1974	371,350	3,213,681	8,399	80,779	2.3	2.5
1975 to 6/30/75	102,350	1,128,701	3,085	29,707	3.0	2.6

Sources: HUD/FHA, VA, Manufactured Housing Institute

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